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Report

drawn up on behalf of the Committee on Energy, Research and Technology

on the proposal from the Commission of the European Communities to the
Council for two decisions on the measures to be taken in the event of oil supply
difficulties

Rapporteur: Mr M. COINTAT

PE 39.842/fin.

1.2.1

English Edition

By letter of 4 March 1975 the Committee on Energy, Research and Technology requested authorization to draw up a report on the proposals from the Commission of the European Communities to the Council for two decisions on the measures to be taken in the event of oil supply difficulties.

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By letter of 2 April 1975 the President of the European Parliament authorized the committee to draw up a report on these proposals.

The committee appointed Mr Cointat rapporteur on 4 March 1975.

At its meeting of 4 March 1975 the committee considered the draft report and unanimously adopted the motion for a resolution and the explanatory statement on 25 March 1975.

Present: Mr Springorum, chairman; Mr Flämig, vice-chairman;
Mr Cointat, rapporteur; Lord Bessborough, Mr van der Hek,
Mr Liogier (deputizing for Mr Gibbons), Mr Noé, Mr Normanton,
Mr Osborn, Mr Petersen and Mr Vandewiele.

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The Committee on Energy, Research and Technology hereby submits to the European Parliament the following motion for a resolution together with explanatory statement:

MOTION FOR A RESOLUTION

on the proposals from the Commission of the European Communities to the Council for two decisions on the measures to be taken in the event of oil supply difficulties.

The European Parliament,

- having regard to the proposal from the Commission of the European Communities to the Council (COM(74) 1964 final),
 - having regard to its previous resolutions on Community energy supplies and in particular the resolution on a directive on measures to alleviate the effects of hydrocarbon supply difficulties,¹
 - having regard to the report of the Committee on Energy, Research and Technology (Doc.26 /75),
1. Recalls that the primary objective of a common energy policy should be to ensure the security of Community supplies and at the same time provide the Community with the means to overcome all supply difficulties;
 2. Deplores the fact that given the current state of Community energy policy, there is a serious risk of such difficulties arising;
 3. Agrees with the Commission that in the event of oil supply difficulties in the Community, the unity of the Common Market must be maintained;
 4. Considers that to this end, provision must immediately be made at Community level for adequate measures, particularly with regard to the restriction of energy consumption;
 5. Stresses, however, that genuine coordination of the foreign policies of the Member States would facilitate the implementation of the measures proposed;
 6. Considers that the different price systems of energy-generating products in force in the Member States may lead, in a period of

¹ OJ No. C 37 of 4 June 1973

crisis, to imbalance in supplies between the Member States;

7. Approves the proposal that it should be the task of the Commission of the European Communities to bring the planned procedures into operation;
8. Regrets that the vagueness of the concepts 'supply difficulties' and 'slight shortfall in supplies', on the basis of which the measures are to be applied, detracts from the scope of the two proposals for decisions;
9. Hopes that a text on price supervision in a period of difficult supply will be submitted very soon in order to avoid all speculation on supplies;
10. Requests the Commission and the Council to go beyond the stage of weak and piecemeal measures and finally start elaborating an overall energy policy;
11. Instructs its President to forward this resolution and the report of its committee to the Council and the Commission of the European Communities.

EXPLANATORY STATEMENTI. INTRODUCTION

1. It took almost a year from the onset of the energy crisis for the Council of Ministers finally to adopt an initial resolution (i.e. a mere declaration of intent) in which it stated its 'political resolve to draw up and implement a Community energy policy'.¹

The seriousness of the energy crisis, and the general extent of the economic warfare being waged in the raw materials supply sector of which it forms a part, should have prompted the Community, as the European Parliament has continually demanded, to take action far earlier and on a much wider scale. The hesitation of the Member States, their initial inability to reduce the negative effect on their economies of the quadrupling of the price of oil, has been detrimental to the international status of the European Community. Over and above energy problems, the weakness, indeed the absence, of Europe in the vast political contest which is now being conducted, has severe implications for our continent.

It is useless to adopt essential resolutions and engage in desirable dialogue if intentions cannot be put into effect.

2. Nevertheless, there is reason to be less pessimistic since the last meeting of the Council of Energy Ministers on 17 December 1974. On a proposal from the Commission, the Council laid down precise objectives to be achieved by 1985 with the Community's energy policy. Our committee adopted a position on these objectives in the report by Mr Pintat (Doc.524/74). It remains for the Community to define the sectoral policies which will make it possible to achieve these objectives, and also to organize the legal framework for the measures to be taken in the event of supply difficulties. The two proposals for decisions under consideration deal in part with the latter objective. The satisfaction aroused by this first concrete step is, however, attenuated by the timid nature of the Community measures proposed.

II. ANALYSIS OF THE TWO PROPOSALS FOR DECISIONS

3. The first of these proposals concerns a reduction in the consumption of primary forms of energy, the second, intra-Community trade in crude oil and petroleum products in the event of supply difficulties.

¹Resolution of 17 September 1974 - R. 2391/74 (Energy 45)

The Commission has forwarded these texts, but neither the Commission nor the Council considered it necessary to consult the European Parliament on these two proposals, an attitude against which we must protest once again.

(a) Background to the two proposals

4. Certain aspects of the organization at Community level of supplies of crude oil and petroleum products are already covered either by adopted texts or by proposals under consideration by the Council.

For instance, Directive No. 68/414/EEC, as amended by Directive 72/425/EEC, setting up emergency stocks corresponding to 90 days' consumption, makes provision for consultation between the Member States and the Commission with respect to withdrawals from such stocks.

5. In addition, the Council is still dealing with a proposal for a regulation (COM(74) 500 final - Annex III) on the introduction of common rules for imports and exports of hydrocarbons.

6. Finally, on 24 September 1973, the Council adopted an initial directive¹ on measures to alleviate the effects of hydrocarbon supply difficulties. The object of this directive was essentially to encourage the Member States to arm themselves with the necessary powers and structures in the event of difficulties in the supply of hydrocarbons. In adopting the resolution² (on 8 May 1973) contained in the report³ submitted on behalf of our committee by Mr Hougardy, the European Parliament stressed 'the serious risks to the Community of hydrocarbons supply difficulties, given the nature of such supplies'.

Moreover, the European Parliament requested the Commission 'to submit, as soon as progress in Community energy policy allows, a proposal for a regulation conferring the necessary powers on the institutions of the Community to enable the latter, acting in collaboration with all the interested circles, to alleviate the effects of hydrocarbon supply difficulties'.

7. Over and above structural considerations, these two Commission proposals aim at ensuring the unity of the Common Market in the event of supply difficulties. In a resolution adopted by the European Parliament on 12 October 1972⁴, our committee had already requested the establishment of 'an emergency plan for energy for the event of a blockade or other impediments; care should be taken to ensure that security of supplies - in the case of uncertainty or

¹ OJ No. L 288, 16 August 1973

² OJ No. C 37, 4 June 1973

³ Doc. 32/73

⁴ Burgbacher report (Doc. 141/72)
Resolution, OJ No. C 112, 27 October 1972

shortage - should take precedence over price considerations'.

(b) Measures proposed

8. To ensure the unity of the market, even in the event of supply difficulties, the Commission considers that the four following conditions must be fulfilled:

- A specific target for a reduction in the consumption of all forms of energy must be set for the whole of the Community;
- National measures to restrict consumption must be coordinated so that the various countries' economies are affected as uniformly as possible;
- Price movements which could enable certain regions to obtain supplies more advantageously than other regions must be prevented;
- Export policy in respect of third countries must be based on uniform principles accompanied by Community decision-making procedures.

The committee approves these measures and has stressed the need for them on several occasions.

It remains for the committee to judge whether the actual measures correspond to the intentions that have been expressed.

1. Proposal for a decision on the setting of a Community target for a reduction in the consumption of primary forms of energy

9. The basic principle of a reduction in the consumption of energy in the event of supply difficulties is governed by common sense and cannot be questioned. The fact that the target for a reduction in consumption is to be set for the Community as a whole (at the request of one Member State and on its own initiative) by the Commission, would seem to constitute a step towards a Community policy. However, there are certain details of application which appear critical. For example, it should be made clear, in order to avoid any difficulty in application, what exactly is meant in Article 1 by 'difficulties in the supply of crude oil or petroleum products'. This is the criterion for the entry into force of the measures proposed by the Commission whereby it would be able to set the target for a reduction in the total consumption of primary energy. Without such clarification, the application of Article 1(3) is very likely to become the rule and would inevitably lead to a delay in the implementation of measures designed to alleviate the effects of a crisis. It is also conceivable that without a definition of the concept of hydrocarbon supply difficulties, any conflict within the Council may systematically result in the repeal of measures planned by the Commission.

The same criticism is valid for the last sentence of Article 1(1) which stipulates that 'in the event of a slight shortfall in supplies the reduction in consumption may be confined to petroleum products'.

It seems to us that a minimum shortfall fixed in percentage terms would have allowed the measures to be implemented more simply and with less possibility for argument. To some extent it can be hoped that the automatic decisions provided for in the context of the International Energy Agency will make up for the lack of clarity of the two texts.

10. Finally, a criticism of a general nature must be made.

In our view, it is impossible to avoid seeing the Community's energy policy as a whole, but in particular those aspects covered by this proposal for a decision, within the wider context of the alignment of the foreign policies and external trade policies of the nine Member States. In the present case, for example, it is difficult to see how the Member States will accept common cutbacks in energy consumption if oil supply difficulties in one Member State are the direct result of an embargo arising from an international policy which does not meet the approval of its partners.

Risks of this sort may only be avoided by introducing at Community level genuine cooperation on foreign policy. Our committee previously adopted this position in the opinion drawn up by Mr Cointat on the attainment of European Union (PE 37.872/fin.).

2. Proposal for a decision on intra-Community trade in crude oil and petroleum products in the event of supply difficulties

11. In order to maintain a steady market, even in the event of difficulties in the supply of petroleum products, the Commission proposes the introduction of arrangements for supervising intra-Community trade in crude oil. This again is an extension of the policy which began with the Council directive on measures to alleviate the effects of supply difficulties (Directive 73/238/EEC). For the reasons already given the committee approves the proposal that it should be for the Commission to decide to introduce the automatic authorization system and possibly to exempt certain Member States. The committee also considers the requirement that the Council take a decision within ten days on any supplementary proposal the Commission may put forward aimed at creating a satisfactory organization of the supply of crude oil and petroleum products to the entire Community (Article 6) as important insofar as it compels the Council to adapt rapidly to new situations.

12. The committee must, however, point out once again that since the satisfactory organization of supplies of hydrocarbons is necessary in a crisis, it would obviously be advisable to implement a Community supply policy adapted to 'normal' periods.

The committee was also surprised that the proposal for a decision does not deal with the problem of prices despite the intentions stated in the explanatory memorandum. Given that different systems exist in the Member States, the price factor, particularly in a crisis, may lead to imbalance of supplies between the Member States.

However, the committee noted that in connection with this important question a working party was preparing a regulation to be applicable in times of normal supplies as well as in crisis situations.

III. CONCLUSIONS

13. The Committee on Energy, Research and Technology approves the proposals with the above reservations. The proposed measures are to be welcomed, but are fragmentary and limited to the short term. They are not dynamic and do not represent a genuine step forward in the construction of Europe. Their only effect is to extend European cooperation to a particular field.

14. The Committee on Energy, Research and Technology regrets that the present state of progress towards a common energy policy does not make it possible to come closer to genuine Community action. However, it realizes that taken together, all the proposals currently before the Council or already approved (1985 objectives and sectoral proposals) bear witness to the efforts made by the Commission to achieve a coherent energy policy.

15. The committee stresses once again that the measures proposed to alleviate possible difficulties in the supply of hydrocarbons cannot be fully effective unless they form part of a common energy policy and a coordinated foreign trade policy. More generally, we emphasize that Europe requires a common energy policy defining long-term objectives corresponding to the seriousness of the situation and also political undertakings which will make it possible to achieve these objectives.

A common energy policy is a prerequisite for European identity. It will make it possible in future for the EEC to play a decisive role in the world's economy.

